

**Public Comment on a 2007 Qualified Allocation Plan
Submitted to the Michigan State Housing Development Authority
by**

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Excerpted text, presented in ***bold italic*** at the end of these full comments, represents what was presented verbally at the May 18th Listening Session.

The Qualified Allocation Plan (QAP) instituted in 2005 laid claim that it would accomplish many things and that it would accomplish those things in response to perceived egregious problems with the prior format. I did not believe at that time, nor do I that those inequities truly existed and, in fact, the current QAP has not adequately responded to these perceptions. A new QAP in 2007 must meet some basic characteristics if we are to get to the business of meeting the housing needs of people in this state.

1. Processing times and procedures must be improved. One claim of the 2005 QAP was that the institution of the lottery would decrease application volumes and increase the Authority staff's ability to process applications quickly and effectively, namely because each application received would not have to be reviewed in full. In fact, processing times have never been slower in recent memory. It is incumbent upon the Authority to make sure staffing levels are adequate to ensure reasonable processing times are maintained. Sixty to Seventy-five days from receipt of applications to announcements of credit awards proved ample in recent prior years and the Authority should strive to return to those goals.

2. Maintain and tweak the current Holdback structure. The current Holdback structure of 30% Preservation, 10% small projects, 15% special needs, and 40% general has proven to work effectively.

3. Provide advantage for projects which fail to earn credit repeatedly. Prior to 2005 and leading discussion relative to the establishment of a lottery system, it was widely claimed that projects scoring above a certain threshold but not enough to receive an allocation were becoming more and more common. Rationale for a lottery system claimed that, for the most part, all projects above a certain point threshold were generally equal. While this may hold some truth, the real truth is that the establishment of a minimum threshold, with the awarding of the credit being left to chance, fails to encourage developers and owners to strive to create the best projects for their communities. A reversion back to the time when projects reached for all available amenities creates stronger more viable projects. If it is the development communities or Authority's ongoing concern that certain types of projects will break threshold but never receive credit, the Authority may consider implementing a scoring category for repeat applications. For example, award 3 points to applications which pass threshold but fail to receive an award of credit and continue to award these points for each round a project is unfunded.

4. Establish a QAP which sets priorities consistent with the needs of the state. The current QAP does not do an adequate job aligning credit award with the needs of the people of the state. Core Communities and especially the City of Detroit are suffering significant losses of credit awards under the current system. The need in the City of Detroit is great. Median State Household income is \$60,500. LIHTC program is designed to serve those at 60% AMI or below or those with incomes up to \$36,300 adjusted for family size. Median household income in the city of Detroit is approximately \$28,000.

Further, families comprise 189,728, or 61%, of the households in Detroit. The average family size is approximately 3.7 people. The median household income for families is \$33,640; and represents approximately 55% of statewide AMI. Approximately 51% of all family households fall at or below 60% statewide AMI.

For non-family households, whose average size is approximately 1.2 persons, the median income is \$19,383. The mean is about \$27,320. About 70% of non-family households fall at or below 60% of the statewide AMI.

59% percent of the approximately 311,000 households in Detroit have incomes at or below 60% of the Statewide AMI. In contrast about 37% of Michigan's households, not including Detroit, fall at or below 60% of the statewide AMI.

The current QAP has had a significant adverse affect on Detroit's ability to address needs through the LIHTC program. During the past 2 ½ credit year cycles Detroit received:

CC 2005	16%	
March 2005	47%	
September 2005	29%	an annual average of 39% (CY 2005)
September 2005	46%	
CC 2006	0%	
March 2006	18%	an annual average of 29% (CY 2006)
September 2006	21%	
		average for first ½ of year: 21% (1 st ½ CY 2007)

an average of 32% for all 2 ½ years of allocations. As compared to:

March 2001	4%	
July 2001	73%	an annual average of 35%
March 2002	70%	
July 2002	47%	an annual average of 61%
March 2003	90%	
July 2003	27%	an annual average of 64%
March 2004	58%	
July 2004	56%	an annual average of 57%

an average of 54% for all four prior years. This represents a 22% decrease in funding for the City of Detroit.

Much discussion surrounded the need for geographic caps to be included in the 2005 QAP. While many outstate groups lobbied heavily for a 35% or less cap, the Authority agreed with the groups supporting the City of Detroit and their expressed need for a cap no lower than 45%. Somehow, though, Detroit has only received 32% of credit awarded in the past 2 ½ years and that simply does not hold up against any standard of need applied. The Authority must institute a QAP which provides a fair, competitive, merit based opportunity for the City of Detroit and other core communities to receive their fair share of the credit.

Similarly, funding for Urban or Core Community projects, in general, has experienced a decrease:

CC 2005	100%	
March 2005	76%	
September 2005	56%	an annual average of 67% (CY 2005)
September 2005	68%	
CC 2006	100%	
March 2006	49%	an annual average of 61% (CY 2006)
September 2006	68%	average for first ½ of year: 68% (1 st ½ CY 2007)

an average of 65% for all 2 ½ years of allocations. As compared to:

March 2001	32%	
July 2001	73%	an annual average of 51%
March 2002	83%	
July 2002	60%	an annual average of 75%
March 2003	90%	
July 2003	83%	an annual average of 88%
March 2004	79%	
July 2004	88%	an annual average of 83%

an average of 74% for all four prior years., or a 9% decrease in funding for core communities.

5. Further encourage Michigan Based participation. The current QAP does a good job in encouraging the use of Michigan based products and similar principles aimed at improving the Michigan economy. The Authority should consider the inclusion of a scoring category which awards points for Michigan based ownership, contracting, and/or development. While there is not an enormous amount of out-state participation in the Michigan LIHTC program, the QAP should encourage and reward participation by Michigan based companies.

6. Institution of a cure period for minor deficiencies. Time after time in round after round applications are denied points, or even credits, for minor deficiencies related to clerical errors or oversights. Many states have implemented processes which effectively manage a cure process for these types of situations. The Authority should work to adopt a standard and process which will allow for the curing of minor deficiencies. In the long run, such will improve the overall effectiveness and efficiency of the program.

Oral comments presented May 17, 2006 to the Authority:

I am Tim Thorland, Executive Director Southwest Housing Solutions and CDAD Board Member. Today I'd like to present my concern regarding the lottery system and a scoring format which fails to adequately differentiate projects. While I could speak to this on a variety of matters in the current QAP I will keep my comments relative to the following:

Median State Household income is \$60,500. LIHTC program is designed to serve those at 60% AMI or below or those with incomes up to \$36,300 adjusted for family size. Median household income in the city of Detroit is approximately \$28,000.

Further, families comprise 189,728, or 61%, of the households in Detroit. The average family size is approximately 3.7 people. The median household income for families is \$33,640; and represents approximately 55% of statewide AMI. Approximately 51% of all family households fall at or below 60% statewide AMI.

For non-family households, whose average size is approximately 1.2 persons, the median income is \$19,383. The mean is about \$27,320. About 70% of non-family households fall at or below 60% of the statewide AMI.

59% percent of the approximately 311,000 households in Detroit have incomes at or below 60% of the Statewide AMI. In contrast about 37% of Michigan's households, not including Detroit, fall at or below 60% of the statewide AMI – including significant populations in other core communities.

Call it circumstance or just bad luck, the current QAP has had a significant adverse affect on Detroit's ability to address needs through the LIHTC program. During the past 2 ½ credit year cycles Detroit received:

CC 2005	16%	
March 2005	47%	
September 2005	29%	an annual average of 39% (CY 2005)
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March 2006	18%	an annual average of 29% (CY 2006)
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an average of 54% for all four prior years. This represents a 22% decrease in funding for the City of Detroit.

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July 2004	88%	an annual average of 83%

an average of 74% for all four prior years., or a 9% decrease in funding for core communities.

The revised QAP must work to bring equity back to Core Communities and the City of Detroit.

I support a QAP that is designed:

- in concert with the broader priorities of the Authority,*
- balances fairness with need,*
- is obviously responsive to the housing needs of the people,*
- and establishes an allocation process that is competitive and merit based.*